

Memorandum

CPC Agenda Item IV.
July 20, 2006

Board Agenda Item IX.C.5
July 21, 2006

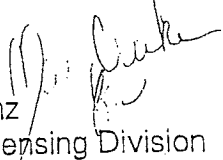
To : CPC Members
Board Members

Date : June 15, 2006

Telephone : (916) 561-1740

Facsimile : (916) 263-3672

E-mail : pfranz@cba.ca.gov

From : Patti Franz 
Chief, Licensing Division

Subject: Proposed Regulatory Language Related to Webcast Continuing Education Courses

Attached for your consideration is proposed regulatory language (**Attachment 1**) pertaining to requirements for Group Internet-Based Programs (Webcast courses) to be included as Continuing Education. Webcast courses enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location.

At its meeting of November 18, 2005, the Board requested proposed regulatory language changes relating to Webcast courses (**Attachment 2**).

Below is a summary of the proposed regulatory language changes to Sections 88 and 89.

- ◆ Section 88 Programs Which Qualify: Adds the Group Internet-Based Programs (Webcast) and its brief definition to the regulatory language.
- ◆ Section 88.1 Provider Requirements: States requirements for a provider wanting to offer a Group Internet-Based Program (Webcast) to CPAs. Requirements were developed by combining the National State Board's of Accountancy, Statement on Standards for Continuing Professional Education (CPE) Programs and the current requirements from Learn Live Technologies, a provider for Group Internet-Based Programs (Webcast).
- ◆ Section 88.2 Program Measurements: Defines the instruction time and credit allowance for this method of continuing education.
- ◆ Section 89 Control and Reporting: Adds the Group Internet-Based Program (Webcast) to the "method of study" choices.

Upon Board approval, the proposed regulatory language would require a regulatory hearing, which would be scheduled for the fall of 2006.

Attachments

CALIFORNIA BOARD OF ACCOUNTANCY REGULATIONS

ARTICLE 12. CONTINUING EDUCATION (Sections 88, 88.1, 88.2 & 89)

88. Programs Which Qualify.

(a) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his or her professional competence.

(1) Licensees who renew their licenses after July 1, 2001, shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: accounting, auditing, taxation, consulting, financial planning, professional conduct as defined in Section 87.7, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(2) Licensees who renew their licenses after July 1, 2001, may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(4) A formal program of learning is an instructional activity that meets the requirements of Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses--each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses--each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs which enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88 (a), Section 88.1, Section 88.2.

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(ed) Formal correspondence or other individual study programs are qualifying provided the program meets the requirements of Section 88(a), Section 88.1, and Section 88.2, and the licensee receives a passing score. Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the CERTIFIED FINANCIAL PLANNER™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the above requirements.

(ee) The credit as an instructor, discussion leader, or speaker will be allowed for any meeting or program provided that the session is one which would meet the continuing education requirements set forth in Section 88(a), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(ef) Credit may be allowed by the Board for the following activities:

- (1) writing published articles and books provided the publisher is not under the control of the licensee.
- (2) writing instructional materials for any continuing education program which meets the requirements of Section 88(a), Section 88.1, and Section 88.2.
- (3) writing questions for the Uniform Certified Public Accountant Examination.
- (4) The maximum credit allowed under this subsection (subsection ef) shall not exceed 25 percent of the renewal period requirement.

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5027, Business and Professions Code.

HISTORY:

1. Amendment filed 4-12-83; effective thirtieth day thereafter (Register 83, No. 16).
2. Amendment of subsections (b)(4), (d) and (f) filed 12-17-96; operative 1-1-97 pursuant to Government Code section 11343.4(d) (Register 96, No. 51).
3. Amendment of section and Note filed 5-9-2000; operative 6-8-2000 (Register 2000, No. 19).
4. New subsection (a)(4) and amendment of subsection (c) filed 1-23-2004; operative 1-23-2004 pursuant to Government Code section 11343.4 (Register 2004, No. 4).
5. Change without regulatory effect filed 9-2-2004; operative 9-24-2004.

88.1. Provider Requirements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) the provider of the live presentation program must:

- (1) Require attendance and retain for a period of six years a record of attendance that accurately assigns the appropriate number of contact hours for participants including those who arrive late or leave early.
- (2) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals,

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learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(3) Issue a certificate of completion to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit reflected on the certificate of completion shall be calculated in accordance with Section 88.2(a).

(b) Group Internet-Based Programs (Webcast)

In order to qualify as acceptable continuing education under Section 88(c) the provider of the Group Internet-Based Program (Webcast) must be in compliance with requirements below by July 1, 2007:

(1) Require and monitor attendance throughout the program with log-in/log-out/password features, ask participants to respond to 80 percent of questions/surveys at minimum. At minimum the program shall include three questions/surveys the first hour of instruction and four questions/surveys each hour thereafter.

(2) Have a live instructor while the program is being presented and a feature allowing participants to send questions/comments directly to the instructor and receive answers during the program.

(3) Retain for a period of six years a record of attendance that accurately assigns the appropriate number of participation hours for participants.

(4) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(5) Issue a certificate of completion to each licensee upon satisfactory completion of the course. Satisfactory completion shall at a minimum require attending the whole course and responding to at least 80 percent of the questions/surveys described in Section 88.1(b)(1). Retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(b).

(bc) Self-Study

In order to qualify as acceptable continuing education under Section 88(ed) the sponsor of the self-study course must:

(1) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(2) Issue a certificate of completion to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(bc) or (d).

NOTE: Authority cited: Section 5027, Business and Professions Code, Reference: Sections 5026 and 5027, Business and Professions Code.

HISTORY:

1. New section filed 5-9-2000; operative 6-8-2000 (Register 2000, No. 19).

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88.2. Program Measurements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in ~~50-minute~~ 50-minute class hours. A program must be at least one 50 minute 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute 50-minute class hour, credit shall be granted for additional 25 minute segments (one-half of a 50 minute 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Group Internet-Based Programs (Webcast)

In order to qualify as acceptable continuing education under Section 88(c) a Group Internet-Based Program (Webcast) must:

(1) Be measured by actual program length in 50-minute class hours. A program must be at least one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be grant for additional 25 minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Meet the provider requirements for Group Internet-Based Program (Webcast) under Section 88.1(b).

(bc) Self-Study prior to January 23, 2004

In order to qualify as acceptable continuing education under Section 88(ed) a self-study course must:

(1) Grant continuing education credit equal to the average completion time if the self-study course is interactive. An interactive self-study program is designed to use interactive learning methodologies that simulate a classroom learning process by employing software, other courseware, or technology-based systems that provide significant ongoing interactive feedback to the participant regarding his or her learning progress. These programs clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented; (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Technology-based self-study courses do not constitute interactive self-study courses unless they meet the criteria set forth above.

(2) Grant continuing education credit equal to one half of the average completion time if the self-study course is non-interactive. Any self-study course that does not meet the above criteria for interactive self-study program is deemed non-interactive.

(3) Require a passing score on a test given at the conclusion of the course.

(4) Meet the provider requirements for self-study under Section 88.1(bc).

(ed) Self-Study on or after January 23, 2004.

In order to qualify as acceptable continuing education under Section 88(ed), any self-study course completed on or after January 23, 2004 whether in electronic or paper text format must:

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- (1) Grant continuing education credit equal to the average completion time if the self-study course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his or her learning progress. These courses clearly define lesson objectives and manage the participant through the learning process by (A) requiring frequent participant response to questions that test for understanding of the material presented, (B) provide evaluated feedback to incorrectly answered questions, and (C) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.
- (2) Require a passing score on a test given at the conclusion of the course.
- (3) Meet the provider requirements for self-study under Section 88.1(b)(c).

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

HISTORY:

1. New section filed 5-9-2000; operative 6-8-2000 (Register 2000, No. 19).
2. Amendment filed 1-23-2004; operative 1-23-2004.

89. Control and Reporting.

(a) Upon renewal, a licensee who is required, pursuant to Section 87, to obtain continuing education must provide a written statement, signed under penalty of perjury, certifying that the requisite number of continuing education hours has been obtained. The licensee shall disclose the following information concerning courses or programs claimed as qualifying continuing education:

- (1) Course title or description
- (2) Date of completion
- (3) Name of school, firm or organization providing the course or program
- (4) Method of study, i.e., whether course or program is self-study, or live presentation or Group Internet-Based Program (Webcast).
- (5) Numbers of hours earned.

(b) If credit is claimed for completing the eight hour professional conduct and ethics course specified in Section 87.7, a licensee shall obtain and retain for six years after renewal of his or her license, a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee
- (2) Course title
- (3) Board-issued approval number for the professional conduct and ethics course completed by the licensee
- (4) School, firm or organization providing the course
- (5) Date of completion.

(c) If continuing education credit for attending a continuing education course is claimed, the licensee shall obtain and retain for four years after renewal a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee in attendance

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- (2) School, firm or organization conducting course
 - (3) Location of course attended
 - (4) Title of course or description of content
 - (5) Dates of attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.
 - (6) Number of hours of actual attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.
- (d) If continuing education credit is claimed for completing a self-study course, the licensee shall obtain and retain for four years after renewal a certificate of completion of its equivalent disclosing the following information:
- (1) Name of licensee taking the course
 - (2) School, firm, or organization providing the course
 - (3) Title of course or description of contents
 - (4) Date of completion
 - (5) Number of hours of continued education credit granted for completing the course.
- (e) If credit as an instructor, discussion leader, or speaker is claimed, the licensee shall retain for four years after renewal the following information:
- (1) School, firm or organization providing course
 - (2) Location of course presented
 - (3) Title of the course or description of content
 - (4) Course outline
 - (5) Dates and evidence of presentation
 - (6) Number of hours of actual preparation time and presentation time.
- (f) If credit is claimed for writing continuing education instructional materials, the following information shall be maintained for four years after renewal:
- (1) Name of the course provider or publisher
 - (2) Title of the course and a description of the instructional materials
 - (3) Date of completion of the instructional materials or publication date
 - (4) A copy of the instructional materials
 - (5) Hours claimed.
- (g) If credit for published articles and books is claimed, the following information shall be maintained for four years after renewal:
- (1) Name and address of publisher
 - (2) Title of publication
 - (3) Brief description
 - (4) Date(s) of publication
 - (5) Copy of publication
 - (6) Hours claimed.
- (h) If credit for writing questions for the Uniform CPA Examination is claimed, the licensee shall obtain and retain for four years after renewal a letter or other statement from the American Institute of Certified Public Accountants documenting the licensee's participation and the number of hours of continuing education credit the licensee has received.
- (i) The Board will solicit and verify such information on a test basis. If a licensee is found to have a deficiency, the licensee shall be so notified. Upon request, the licensee may be granted a reasonable period of time in which to correct the deficiency.

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(j) A licensee who is determined by the Board at renewal not to have completed the required number of hours of qualifying continuing education shall be required to make up any deficiency. A licensee who is required to make up a deficiency shall be ineligible for active status license renewal or conversion to active status pursuant to Section 87.1 until such time as documentation to support the required hours of continuing education for license renewal has been submitted and approved by the Board.

(k) A licensee's willful making of any false or misleading statement, in writing, regarding his or her continuing education shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.

HISTORY:

1. Amendment filed 12-24-75; effective thirtieth day thereafter (Register 75, No. 52).
2. Amendment filed 4-12-83; effective thirtieth day thereafter (Register 83, No. 16).
3. Amendment of subsections (a) and (b) and new subsections (c) and (d) filed 12-10-90; operative 1-9-91 (Register 91, No. 3).
4. Amendment filed 11-30-93; operative 12-30-93 (Register 93, No. 49).
5. New subsection (f) and subsection relettering filed 3-28-96; operative 7-1-96 (register 96, No. 13).
6. Editorial correction of subsection (a) (Register 97, No. 25).
7. Amendment of subsection (f) filed 6-16-97; operative 6-30-97 pursuant to Government Code section 11343.4(d) (Register 97, No. 25).
8. Amendment filed 5-9-2000; operative 6-8-2000 (Register 2000, No. 19).
9. Change without regulatory effect amending subsection (k) filed 11-15-2005 pursuant to section 100, title 1, California Code of Regulations (Register 2005, No. 46).



CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.dca.ca.gov/cba>



Attachment 2

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE
 November 17-18, 2005
 BOARD MEETING

Delta King
 1000 Front Street
 Sacramento, CA 95815
 Telephone: (916) 444-5464
 Facsimile: (916) 444-5314

I. Call to Order.

President Renata M. Sos called the meeting to order at 2:33 p.m. on Thursday, November 17, 2005, at the Delta King in Sacramento and the meeting adjourned at 3:45 p.m. The Board was again called to order at 9:40 a.m. on Friday, November 18, 2005, and ALJ Robert Walker and the Board heard Agenda Item XII.A and then convened into closed session to deliberate and to discuss Agenda Items XII.B-F. The Board went into open session at 11:38 a.m. and adjourned at 12:40 p.m.

Board Members

November 17, 2005

Renata M. Sos, President	2:33 p.m. to 3:45 p.m.
Ronald Blanc, Vice President	2:33 p.m. to 3:45 p.m.
Sally Flowers, Secretary-Treasurer	2:33 p.m. to 3:45 p.m.
Richard Charney	2:33 p.m. to 3:45 p.m.
Ruben Davila	2:33 p.m. to 3:45 p.m.
Donald Driftmier	2:33 p.m. to 3:45 p.m.
Charles Drott	Absent
Sara Heintz	2:33 p.m. to 3:45 p.m.
Gail Hillebrand	2:33 p.m. to 3:45 p.m.
Thomas Iino	2:33 p.m. to 3:45 p.m.
Clifton Johnson	2:33 p.m. to 3:45 p.m.

The minutes of the July 13, 2005, QC meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

3. Report on the October 20, 2005, QC Meeting.

Ms. Sos introduced and welcomed Mr. Bulosan, current Vice Chair and new Chair of the QC. She congratulated him and indicated that the Board looked forward to working with him in the coming year.

Mr. Bulosan reported that the QC met on October 26, 2005, in Los Angeles with Mr. Driftmier and Ms. Sigmann in attendance. He encouraged all Board members to attend the meetings as it adds value to the discussions. Mr. Bulosan noted that there was a Rule 69 hearing at his office in San Francisco on November 10, 2005. Mr. Bulosan explained that Rule 69 is the process where the QC reviews the knowledge of the signer of the Certificates of Attest Experience to ensure understanding of the form.

Mr. Driftmier indicated that the QC will be undergoing a study of the experience issues which will be quite a task as the industry continues to grow. He applauded the efforts of the committee and he believed that it is very crucial to the changing work of the profession.

C. Committee on Professional Conduct (CPC).

1. Minutes of the September 15, 2005, CPC Meeting.

The minutes of the September 15, 2005, CPC meeting were adopted on the Consent Agenda. (See Agenda Item XIII.B.)

2. Report on the November 17, 2005, CPC Meeting.

Mr. Blanc reported that the CPC met the previous day and discussed the following agenda items.

3. Consideration of Requirements for Continuing Education Delivered Via a Web Cast Platform.

Mr. Blanc reported that the CPC recommends that the Board adopt Option 3 in the analysis, which is to revise the Board's regulations related to all continuing education courses to include specific requirements for Web cast courses. (See Attachment 5.) In addition, while the Board is going through the rulemaking process, information needs to be provided on the Board's Web site indicating

that Web cast courses that meet the current requirements for live presentation courses, qualify for continuing education credit.

Mr. Blanc noted that staff will be developing a proposal for consideration at the next meeting. The proposal will take into account NASBA's existing guidelines, and also include some lead time so that continuing education providers have time to come into compliance.

It was moved by Mr. Driftmier, seconded by Ms. Hillebrand, and unanimously carried to adopt the CPC's recommendation.

4. Consideration of CalCPA's Request for Amendments to the Board's Regulations Related to Audit Documentation Requirements.

Mr. Blanc reported that the CPC had a lengthy discussion related to a request from CalCPA to revise Sections 68.3 and 68.4 of the Board's Regulations to be more consistent with the PCAOB's standard related to audit documentation. In addition to considering CalCPA's request, the CPC also considered a letter from CPIL and an Exposure Draft on audit documentation by the Auditing Standards Board.

Mr. Blanc indicated that the CPC recommends that the discussion continue at the next CPC meeting and that it include consideration of the Auditing Standards Board's audit documentation standard, especially related to the number of days permitted for the assembly of documents and the cut-off date for removing information. To facilitate this discussion, staff have been asked to develop a side-by-side comparison of the various audit documentation requirements.

Mr. Blanc indicated that the CPC's discussion did address some language change recommendations. He recommended that the discussion of those points be deferred until the CPC reexamines the issue at the next meeting.

Mr. Driftmier commented that as a practitioner, he supported conformity in the audit world especially regarding audit documentation. He indicated that he believed that too many variations causes conflict and makes it more difficult to produce a quality work product. He noted that depending on the type of audit being conducted, there are standards to comply with from the PCAOB, the regulatory boards, the State Controller's Office, and the Department of Housing and Urban Development.